

Message Text

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PAGE 01 TAIPEI 01706 170126Z

15

ACTION XMB-04

INFO OCT-01 EA-09 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-01 INR-07 NSAE-00 USIA-15 TRSE-00 OPIC-06 SP-02

CIEP-02 LAB-04 SIL-01 OMB-01 /065 W

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R 170035Z MAR 76

FM AMEMBASSY TAIPEI

TO SECSTATE WASHDC 8836

UNCLAS TAIPEI 1706

PASS: EXIMBANK

E.O. 11652: N/A

TAGS: EFIN, TW

SUBJECT: YUAN-I LOAN REPAYMENT

REF : TAIPEI 1579

1. ON MARCH 15 PRESIDENT OF YUAN-I, MR. YANG CHEN-HEE AND VICE GENERAL MANAGER CHEN YING-YONG, CALLED AT EMBASSY TO DISCUSS EXIMBANK LOAN. THEY REPORTED FIRE DAMAGE MENTIONED REFTEL WAS ENTIRELY COVERED BY INSURANCE. AS RESULT, COMPANY SUFFERED ONLY MINIMAL FINANCIAL LOSS. IN MEANTIME, BUSINESS CONTINUES TO BE VERY GOOD WITH ORDER BOOKS FULL THROUGH SEPTEMBER. COMPANY PLANNING TO LEASE FACILITY TO FULLFILL ORDERS UNTIL COMPANY'S OWN PLANT CAN BE REBUILT. THEY ARE NOW PLANNING TO ORDER FOURTEEN NEW SPINNING MACHINES FROM US TO REPLACE THOSE LOST IN FIRE. THEY MAY ASK EXIMBANK TO PROVIDE LOAN FOR THIS PURPOSES.

2. EMBASSY AGAIN PRESSED MR. YANG FOR BANK GUARANTEE ON GROUNDS IT WOULD PROTECT EXIMBANK ON ONE HAND AND ON OTHER HAND, WOULD NOT COST YUAN-I ANYTHING IN EXCESS PRESENT COST, SINCE EXIMBANK PREPARED TO REDUCE INTEREST ON OUTSTANDING LOAN. MR. YANG CONTINUED TO RESISTS THIS STEP ON BASIS IT IS RETROACTIVE REQUEST FOR GUARANTEE

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PAGE 02 TAIPEI 01706 170126Z

LONG AFTER ORIGNAL LOAN APPROVED AND MACHINERY INSTALLED.

HE SEEMS TO HAVE PERSONAL ANTIPATHY TO SUCH GUARANTEE
AND HE IS ESSENTIALLY IRRATIONAL ABOUT IT. HOWEVER, HE
WOULD HAVE NO OBJECTION IF EXIMBANK REQUESTS A GUARANTEE
ON A NEW LOAN TO COVER SALE OF NEW US MACHINES TO YUAN-I.

3. COMMENTS: EMBASSY PREPARED TO CONTINUE PRESSURE ON
YUAN-I TO PROVIDE BANK GUARANTEE. AS MENTIONED END PARA.
2 REFTEL., MOF WILLING TO WEIGH IN WITH YUAN-I ON NEED
FOR GUARANTEE NOW THAT EMBASSY HAS MADE ITS FIRST
APPROACH. HOWEVER, SINCE CIRCUMSTANCES HAVE NOW CHANGED
WITH POSSIBILITY OF NEW BUSINESS FOR US MANUFACTURER,
EMBASSY REQUESTS FURTHER INSTRUCTIONS.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: DEBT REPAYMENTS, BANK LOANS, FIRES
Control Number: n/a
Copy: SINGLE
Draft Date: 17 MAR 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976TAIPEI01706
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760100-0148
From: TAIPEI
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760349/aaaabrla.tel
Line Count: 74
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION XMB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 76 TAIPEI 1579
Review Action: RELEASED, APPROVED
Review Authority: ellisoob
Review Comment: n/a
Review Content Flags:
Review Date: 29 JUN 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <29 JUN 2004 by chengls>; APPROVED <30 JUN 2004 by ellisoob>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: YUAN-I LOAN REPAYMENT
TAGS: EFIN, TW, YUAN I, XMB
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006